

FISCAL NOTE

SB 2423

December 15, 2005

SUMMARY OF BILL:

CAMPAIGN FINANCE, CONFLICT OF INTEREST AND LOBBYING PROVISIONS

- Requires more frequent filing of statement of contributions and expenditures by state and local candidates and political campaign committees and Internet posting of reports by the Registry of Election Finance (the "Registry"), including disclosure of each contributor's occupation and employer.
- Provides civil penalties for violation of filing and disclosure requirements.
- Gives the Registry subpoena authority and authority to take testimony under oath.
- Requires the Registry to conduct random audits on each statewide candidate and each candidate for the General Assembly and such candidate's committees.
- Prohibits cash campaign contributions over \$100.
- Limits aggregate campaign contributions by an individual to \$200,000.
- Requires disclosure of independent campaign expenditures in excess of \$1,000.
- Requires any public employee, who is designated by the employee's department, agency or entity of state or local government to engage in lobbying on behalf of such entity, to register and comply with all other lobbying requirements.
- Electronic filing of conflict of interest and lobbying disclosure forms.
- Requires registration with the Registry of lobbyists and employers of lobbyists and authorizes the Registry to set the amount of lobbyist registration fee.
- Prohibits most gifts by lobbyists to public officials.
- Requires the Registry to audit at least two percent of all registration statements and amendments as well as at least two percent of all quarterly disclosure reports.

ETHICS COMMISSION

- Creates Tennessee Ethics Commission (TEC) consisting of three members, with jurisdiction over any violation of the Ethics Code for the Tennessee State Senate or the House of Representatives. Such authority includes the investigation of alleged violation of laws utilizing subpoena power and administration of oaths, punishment

SB 2423

of violations through civil penalties, and conducting ethics training seminars for public officials, lobbyists and employer's of lobbyists.

- Members serve without compensation, but receive mileage and expense reimbursement.
- Authorized to hire staff, including an executive director and legal counsel.
- Attorney general required to render opinions, give counsel, and provide investigative services to TEC.
- TEC authorized to receive sworn complaints against public officials from any citizen of Tennessee, and to investigate on its own motion. Complaints referred to Attorney General to conduct a probable cause investigation.
- Authority to assess costs and opposing party's attorney's fees if TEC determines that citizen's complaint lacks probable cause.
- Requires TEC to provide ethics training each year to members of the General Assembly, lobbyists and employers of lobbyists.

ESTIMATED FISCAL IMPACT

| Increase State Expenditures: | <u>Recurring</u> | <u>One-Time</u> | <u>Total</u> |
|-------------------------------------|---------------------------|--------------------------|---------------------------|
| Ethics Commission | \$ 550,000 | \$120,000 | \$ 670,000 |
| Registry of Election Finance | 474,500 | 147,000 | 621,500 |
| Office of Attorney General | <u>426,400</u> | <u> </u> | <u>426,400</u> |
| | <u>\$1,450,900</u> | <u>\$267,000</u> | <u>\$1,717,900</u> |

Increase State Revenues – Exceeds \$400,000 / Registry

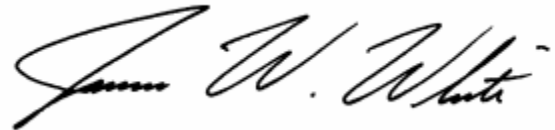
Assumptions:

- No significant additional revenue to the Registry for late filing fees from more frequent filing requirements.
- Registry will require **six** additional staff positions to carry out audits and authority to administer lobbyist disclosure laws [**\$446,000**] and will incur related operating costs for audits and investigations [**\$45,000**].
- Based on staffing and operating activities of commissions similar to TEC in other states, **five** positions at an annual cost of **\$550,000** and annual operating expenses in the amount of **\$120,000** will be required. TEC staff will conduct day-to-day operations, including interaction with filers and the public, preparing and conducting ethics training, preparing ethics manuals, and participation in investigations of alleged violations of the law.
- The Registry will set lobbyist annual registration at an average fee of \$200. Approximately 2,000 total lobbyists and employers of lobbyists will register, generating approximately \$400,000 in revenue used to defray expenses of the Registry.

- Attorney General will require two new attorneys, two new investigators, and two new secretary positions at a total annual cost of \$426,400 to carry out additional investigative and advisory duties.
- Most provisions of the bill take effect on July 1, 2006. Fiscal impact is the estimated first full year impact.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director